

INDUSTRY INSIDER: PHARMACEUTICALS

Drug firm acts to thwart fakes

The distribution of prescription medicines in the United States is under scrutiny like never before.

A number of high-profile counterfeit cases this year have regulators, companies and prosecutors looking to plug holes in a system that is still considered the safest in the world.

Part of the problem is the sheer number of distributors in the so-called "secondary market." The system works like this:

Three companies — Cardinal Health, McKesson and Ameri-source Bergen — control 90 percent of the \$1.2 billion distribution market. They work closely with drug makers who find it cheaper to have the distributors get their products to pharmacy shelves. The other 10 percent is handled by regional or specialty wholesalers.

The problem, experts say, is with the thousands of companies that act as secondary wholesalers. They make up what is known as the gray market, frequently buying and selling medicines to one another.

There is little regulatory oversight of this market, which makes it vulnerable to counterfeiting.

Now, some drug makers are taking additional steps to make the system safer.

Earlier this month, Johnson & Johnson said it would require distributors to purchase its prescription medicines and medical devices directly from the New Brunswick-based company.

Joseph Anstatt, vice president of planning and distribution, explains the anti-counterfeiting measure:

Q. Johnson & Johnson imposed the same policy on some of its wholesale distributors after counterfeit versions of



ANSTATT

Procrit appeared last year. Why enact the policy on all of its products?

A. We had been contemplating our next step when we learned of the hernia mesh. (Counterfeit versions of the mesh device for repairing hernias surfaced earlier this month.)

We went back over the Procrit decision to see whether it would work overall. The major issue we faced was the fact that many of the wholesalers deal with one another in buying and selling product. We needed to be able to say to our end users, you can be assured the product is our product.

Q. How will this help to curb the counterfeiting of the company's products?

A. Wholesale distributors are buying only from us. We're not suggesting that it prevents counterfeiting, but it's a major step and we believe an important one.

We're also posting the names of wholesalers who are working with us on our Web site. It's another way of ensuring that the integrity of the product is protected. We've seen it work with Procrit. There have been companies with excess product, and wholesalers have refused to buy it.

Q. Is the company taking things into its own hands?

A. We all need to do our part in ridding the market of counterfeit product.

We needed some way of auditing, but that's not something new. We're also partnering with the Food and Drug Administration and the Healthcare Distribution Manage-

ment Association to tighten up the supply chain. We're taking what we think is a responsible step. We think everyone should take that same opportunity.

Q. Do you believe the counterfeit issue is getting worse?

A. From all indications, it is a growing issue. As a company, we're deeply concerned about the disturbing trend.

Q. What reception have you received from wholesalers?

A. It has been very good. Many of them have spoken openly regarding the issue of counterfeit product.

They also agreed that it was an appropriate time to implement this type of change in the marketplace.

Q. Have other companies expressed interest in following Johnson & Johnson's lead?

A. We see that Pfizer announced it was following suit. It seems that a number of companies realize it's an important step and are going in that direction.

Q. Even with these new controls, isn't it possible that drugs can make their way into the so-called secondary market?

A. We think much more needs to be done. We need stricter legislation with tougher penalties. We need certification of distributors. We need to provide education.

Distributors need to understand the potential risk and the need to be more judicious in selecting suppliers. Everyone has

to understand the steps they need to take to protect the products they're receiving and distributing.

— Susan Todd

"We're taking what we think is a responsible step. We think everyone

should take that same opportunity."

JOSEPH ANSTATT,
J&J vice president

50 HEALTH-CARE STOCKS



3% daily increase or better



3% daily decrease or worse

Name	Sym	52-week		PE	EPS	Yest.	Yest.	%
		High	Low			close	chg.	
AbtLab	ABT	47.00	33.75	30	1.55	47.15	0.31	0.7%
Aetna n	AET	70.25	39.90	13	4.97	66.67	0.91	1.4%
AirProd	APD	52.84	36.97	30	1.79	53.07	0.76	1.5%
Akzo	AKZOY	36.89	18.12	29	1.31	37.30	0.77	2.1%
Amgen	AMGN	72.37	47.96	38	1.62	61.87	0.75	1.2%
Aventis	AVE	64.14	41.85	28	2.35	64.71	0.57	0.9%
AveryD	AVY	63.75	46.25	21	2.59	55.49	0.78	1.4%
Bard	BCR	81.41	54.03	22	3.70	80.93	0.35	0.4%
BarrLab s	BRL	85.36	43.14	33	2.36	78.04	0.58	0.7%
Blaxter	BAX	31.32	18.18	23	1.34	30.25	0.26	0.9%
BectDck	BDX	41.13	28.82	20	2.07	41.38	1.13	2.8%
Biogen Idec	BIIB	42.15	27.80	41	0.92	37.49	0.49	1.3%
BiOC ADS	BOX	30.95	21.84	18	1.76	30.85	0.26	0.8%
BiostSci	BSX	36.49	19.10	69	0.52	36.08	0.95	2.7%
BirMySq	BMV	29.21	21.00	19	1.49	27.99	0.40	1.4%
Cephalin	CEPH	54.95	36.92	16	3.03	47.33	0.29	0.6%
Chiron	CHIR	57.07	34.02	64	0.89	56.40	0.57	1.0%
CIGNA	CI	58.58	39.10	21	2.69	56.06	0.10	0.2%
DowChm s	DOW	41.70	24.83	-4,200	-0.01	42.00	0.70	1.7%
DuPont	DD	45.76	34.71	65	0.71	45.94	0.48	1.1%
EastChm	EMN	39.20	27.56	-10	-3.82	39.38	0.44	1.1%
Ecolab	ECL	27.91	23.07	29	0.94	27.33	0.09	0.3%
EnglCp	EC	30.58	19.02	17	1.79	30.40	0.45	1.5%
Genentech	DNA	95.35	31.53	86	1.10	94.15	-0.48	-0.5%
GlaxoSKIn	GSK	47.64	31.85	16	2.81	45.89	0.44	1.0%

Name	Sym	52-week		PE	EPS	Yest.	Yest.	%
		High	Low			close	chg.	
HSchein	HSIC	70.00	34.17	23	3.01	68.44	0.77	1.1%
Humana	HUM	23.29	8.68	24	0.99	23.29	0.60	2.6%
ICI	ICI	15.46	5.43	-6	-2.31	14.10	0.31	2.2%
IntFlav	IFF	36.61	29.18	19	1.83	34.96	0.72	2.1%
IvaxCp s	IVX	24.54	10.50	45	0.54	24.25	0.35	1.5%
JohnJn	JNJ	59.08	48.05	23	2.24	51.25	0.63	1.2%
LillyEli	LLY	73.89	52.77	30	2.36	71.62	1.00	1.4%
Lyondell	LYO	16.68	10.96	-9	-1.94	17.03	0.39	2.3%
ManorCare	HCR	35.83	17.19	30	1.12	33.80	0.33	1.0%
Medtrnic	MDT	52.92	42.15	33	1.50	48.69	0.68	1.4%
Merck	MRK	63.50	40.57	15	3.05	45.69	0.59	1.3%
Norsk	NHY	60.88	35.90	10	5.86	60.79	0.12	0.2%
Novartis n	NVS	44.53	33.85	23	1.91	44.66	0.30	0.7%
OxfordHlt	OHP	46.67	26.32	11	3.86	44.24	0.81	1.9%
Pfizer	PFE	36.92	27.90	56	0.63	35.00	0.25	0.7%
Potash g	POT	87.25	54.95	-46	-1.86	86.18	-0.23	-0.3%
Praxair	PX	38.05	25.02	22	1.73	38.13	0.51	1.4%
QstDiag	DGX	74.99	47.36	18	3.91	71.71	1.41	2.0%
RoHaas	ROH	42.60	26.26	67	0.64	42.92	0.65	1.5%
SchergPl	SGP	23.75	14.16	62	0.27	17.09	0.14	0.8%
Schering n	SHR	54.67	34.16	17	2.88	50.34	-0.48	-0.9%
SigmAl	SIAL	57.91	40.94	20	2.85	57.46	0.37	0.6%
Teva	TEVA	62.35	34.50	25	2.28	56.76	0.34	0.6%
WatsnPh	WPI	50.12	26.90	26	1.78	45.72	0.14	0.3%
Wyeth	WYE	49.95	32.75	17	2.47	42.19	0.31	0.7%